

JULY 11, 2000

**STATEMENT OF U.S. REPRESENTATIVE JAN SCHAKOWSKY BEFORE THE
CONGRESSIONAL WOMEN'S CAUCUS FORUM ON PREDATORY LENDING**

**SCHAKOWSKY IS AUTHOR OF H.R. 3901, THE ANTI-PREDATORY LENDING ACT OF
2000**

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL), a member of the House Banking Committee, today testified before the Congressional Women's Caucus during a briefing on predatory lending. Schakowsky is the author of H.R. 3901, the Anti-Predatory Lending Act of 2000, a bill to protect consumers from financial predators. Consumer advocates and experts also testified during the briefing.

Below is Schakowsky's statement.

"Last year, the Chicago Sun-Times published a story about Luberta and Ulysses Wright. Their troubles began when a contractor knocked on their door. That contractor convinced them that they couldn't live without a three-car garage that he would build. On two occasions, he drove them to a place to sign what they thought was an installment contract to do the work. In reality, he had taken them to a subprime lender and they had signed a \$12,000 mortgage on their house. Nine thousand dollars was for the garage; \$1000 was for closing cost; and \$2000 was a fee to the contractor-not for building the garage-but just for arranging the mortgage. Twenty-five percent of their up front cost had nothing to do with the garage and that doesn't count the interest that would come later. Then, the contractor never showed to build the garage.

"Of course, the Wrights took measures to protect themselves. They went to the contractor's office and found that the company didn't exist. They stopped paying the monthly bills only to see the lender start foreclosure proceedings on their home. They appeared in court without a lawyer and expected to easily explain their situation and end this problem. It didn't end until a month after Luberta Wright's husband passed away when she was finally able to reach an out of court settlement with the lender.

"This is the effect predatory lenders had on the Wrights and it's the same story for thousands of other families. Foreclosures in Chicago neighborhoods have increased from 69 in 1993 to nearly 2,400 in 1999. And based on hearings held by HUD and the Treasury Department around the country, it's happening everywhere.

"The Congressional Women's Caucus should be particularly concerned about what we heard from William Brennan at that hearing. For the past 12 years, William Brennan has served as the director of the Home Defense Program of the Atlanta Legal Aid Society, where he was one of the first to fight predatory lending. He has found that predatory mortgage lenders purposely target vulnerable elderly, minority, low and moderate

income, women homeowners. Elderly homeowners tend to have substantial equity in their homes but live on fixed incomes. Consequently, they find themselves in a bind when that home needs expensive repairs, or when they have incurred substantial medical bills not covered by Medicare, Medicaid or health insurance, or when they suffer a loss of income after the death of a spouse. They are then at the mercy of predatory lenders because, as women or minorities, their access to legitimate sources of loans and other financial services is disproportionately denied.

"To protect those women and every potential victim from predatory lenders, I have introduced H.R. 3901, the Anti Predatory Lending Act of 2000. It sets national standards and changes current laws to protect consumers from these con men. Lenders, who charge more than 5% above the interest rate on U.S. Treasury issued bonds, which is now around 6%, would have to answer to the courts. It would also attack predatory lenders who hide costs in fine print or misrepresents those costs. It opens up lenders to prosecution if they force borrowers into loans that they obviously could not pay back. And it prohibits flipping, additional and unnecessary insurance products, pre-payment penalties and appraisal coercion. Moreover, it goes after brokers-like the contractor who ripped off the Wrights-and Wall Street, too, because they also play a huge role in predatory lending.

"A need exist for legitimate lenders in the subprime market. These lenders offer credit to those with poor or no credit history. But what we're here to do is stop those lenders who take advantage of hard working families and women. We have got to do something about that and I hope that you will join me in this effort."